

October 23, 1998

Memorandum

To: Management Control Coordinators

From: Theodore Woronka, Deputy Director
Office of Financial Management

Subject: FY 1999 Management Control Program Guidelines

This memorandum constitutes the Department's guidance for the FY 1999 Management Control Program, including the activities and time frames necessary to comply with the Federal Managers' Financial Integrity Act (FMFIA).

As you know, the Office of Financial Management (PFM), working in partnership with the bureaus, other PMB offices and the OIG, has initiated many program changes over the last several years to streamline and further improve the Management Control Program, and reduce the burden it imposes on bureaus and offices. For FY 1999, PFM plans to continue this trend by building on the results of the FY 1998 Departmental pilot test of the management control automated assessment approach, recommendations in OIG financial statement audits, OIG and GAO program reviews, and the results of bureau assessments and management studies.

Our plans for FY 1999 provide for a continuation and expansion of the pilot test program for the management control automated assessment approach, developing standard assessment templates for common administrative programs and functions (i.e. cash management and debt collection, administrative control of funds, etc.), and developing supplemental assessment procedures, as necessary, for bureaus and the National Business Center to support the annual accounting system certification required by Section 4 of the FMFIA.

During FY 1998, the automated management control assessment approach was pilot tested in 13 different program areas. The results of the pilot tests confirmed that the automated assessment approach can:

- ▶ significantly reduce the staff resources consumed in planning, conducting, analyzing and reporting the results of management control assessments;
- ▶ avoid travel costs;
- ▶ effectively identify areas of potential material weakness and best practices; and,
- ▶ simplify year-end assurance statement reporting.

At the same time, the pilot tests also identified several areas where the automated assessment approach could be improved or refined. PFM is in the process of finalizing its plans to improve and refine the survey questionnaire and scoring system, data validation process, and other components of the automated approach. PFM is also evaluating the latest upgrade to the surveying software tool. Once the improvements and refinements are implemented, the

automated assessment approach should provide an effective alternative to traditional management control assessments. Bureaus and offices will be requested to continue and expand the automated assessment pilot test program during FY 1999. As in the past, bureaus will have discretion in selecting as many candidate programs or areas for pilot testing the automated approach as they deem appropriate. However, we do ask that each bureau conduct at least one automated assessment during Fiscal Year 1999. PFM staff will again be available to assist bureau and office staff in all phases of the pilot test program.

The following highlights the Department's FY 1999 Management Control Program:

- Bureaus and offices will develop their management control assessment priorities and plans for FY 1999 based on management needs and available resources, and transmit those plans to PFM for review and concurrence by December 18, 1998. As noted above, bureau assessment plans should incorporate use of the automated assessment approach. PFM and the OIG will review the priorities and plans and offer recommendations for other assessments where appropriate.
- Guidance and time frames for Departmental Functional Reviews (DFRs) in acquisition and property management, and sensitive information systems will be provided by PAM and PIR.
- Bureaus and offices will have discretion in determining which program and operational controls are to be assessed, the methods used to assess them, and the nature and extent of assessment documentation. Bureaus and offices must ensure that assessment documentation complies with current OMB and GAO standards. As in previous years, PFM strongly encourages all bureaus and offices to utilize all available sources of information for management control assessments (i.e. Inspector General and GAO audit reports, internal and external studies, any assessments performed in conjunction with implementing the Government Performance and Results Act, and the knowledge and experience gained from day-to-day program management).
- Bureaus and offices will again determine the best means to verify completion of material weakness and/or accounting system non-conformance corrective actions, and shall maintain appropriate documentation for subsequent validation by the Department and/or OIG.
- Bureaus and offices will prepare and file an abbreviated Annual Assurance Statement. The statement should be addressed to the Assistant Secretary - Policy, Management and Budget, Attention: PFM. A separate assurance statement from the cognizant Assistant Secretary is no longer required. A sample Annual Assurance Statement is attached for your reference.
- Bureaus and offices will not be required to perform a comprehensive accounting system compliance review for FY 1999. To the extent appropriate, the OIG's financial statement audit results, and other financial system information, will be used to provide the basis for

the Section 4 certification required in the Annual Assurance Statement. Where necessary, PFM and the OIG may require supplemental procedures to be performed to support compliance review work performed in conjunction with the annual financial statement audit process. If supplemental procedures are necessary, PFM and OIG will communicate them to bureaus no later than March 31, 1999, and a standard questionnaire/template will be provided to assist in this task.

- Bureaus and offices will again be required to participate in semiannual progress meetings with PFM and OIG staff to review program status and provide updates on material weakness and accounting system non-conformance corrective action progress.

Attached for your reference is a Time Table of Scheduled Actions. If you have any additional questions regarding the Management Control Program requirements for FY 1999, please contact either Wayne Howard or me on (202) 208-4701.

Attachments

cc: Bureau and Office Heads
Bob Williams, Assistant Inspector General for Audits

FY 1999 Management Control Program
Schedule of Key Actions

Action	Organization	Due Date
1. Issue FY 1999 Management Control Program Guidance	PFM	11/1/98
2. Notify PFM of management control assessment priorities and plans; PFM and OIG to recommend additional assessments where appropriate within 15-days of receipt of bureau plans.	Bureaus/Offices	12/18/98
3. Provide supplemental accounting system compliance review procedures to bureaus where appropriate	PFM/OIG	3/31/99
4. Semiannual meetings on bureau Management Control Program progress	Bureaus/Offices PFM/PMB/OIG	5/17-21/99
5. Complete all FY 1999 management control assessments and DFRs	Bureaus/Offices	8/31/99
6. Submit FY 1999 Annual Assurance Statement	Bureaus/Offices SOL,OIG	10/15/99
7. Year-end meetings to resolve pending issues related to management control and audit follow-up programs	PFM,OIG Bureau MCCs	11/15- 19/99
8. Department Management Control and Audit Follow-up Council meetings (at call of the Chair)	Assistant Secretaries, SOL,OIG	TBD

Memorandum

To: John Berry
Assistant Secretary - Policy, Management and Budget
Attention: Office of Financial Management

Through: Assistant Secretary, _____

From: Bureau or Office

Subject: FY 1998 Annual Assurance Statement on Management Controls

The (bureau \office) has completed an assessment of its systems of management, administrative and financial controls in accordance with the standards, objectives and guidelines prescribed by the Federal Managers' Financial Integrity Act (FMFIA) and the Office of Management and Budget. The objectives of this assessment are to ensure that:

- programs achieve their intended results;
- resources are used consistent with agency mission;
- resources are protected from waste, fraud, and mismanagement;
- laws and regulations are followed; and,
- reliable and timely information is maintained, reported, and used for decision-making.

In performing this assessment, the bureau\office relied on the knowledge and experience management has gained from the daily operation of its programs and systems of accounting and administrative controls, and information obtained from sources such as management control assessments, OIG and GAO audits, program evaluations/studies, audits of financial statements, and performance plans and reports. The scope of this assessment was broad enough to support the conclusions expressed within this memorandum.

Based on the results of the FY 1999 assessment, I conclude that the (bureau\office's) systems of management, administrative and financial controls provide reasonable assurance that the objectives of the FMFIA have been achieved. I also conclude that the (bureau\office's) sensitive information systems provide (do not provide) reasonable assurance that the objectives of OMB's Circular A-130, Management of Federal Information Resources, have been achieved. Further, I conclude that the (bureau\office's) financial systems generally conform (do not conform) with governmentwide standards and requirements.

The corrective action reports for material weaknesses and or accounting system non-

conformances identified in the FY 1999 assessment, or carried over from the prior year, are attached. These reports identify the nature of the weakness or non-conformance, its cause and effect, appropriate milestones in the corrective action plan, and the individual accountable for the timely completion of stated corrective actions. The existence of these material weaknesses or accounting system non-conformances does not (does) prevent the (bureau\office) from providing reasonable assurance on the effectiveness of its management controls taken as a whole.

Attachment

cc: Assistant Inspector General for Audits